

LONDON NOTICE NO. 3760

Issue Date: 20 November 2013

Effective Date: 21 November 2013

UNIVERSAL STOCK FUTURES CONTRACT AND DIVIDEND ADJUSTED SINGLE STOCK FUTURES CONTRACT (BASED ON COMPANY SHARES, DEPOSITARY RECEIPTS AND EXCHANGE TRADED FUND SHARES) (EXCHANGE CONTRACT NO. 66F)

INTRODUCTION WITHIN BCLEAR OF FLEXIBLE DIVIDEND ADJUSTED SINGLE STOCK FUTURES CONTRACTS

Executive Summary

This Notice informs Members of the introduction of flexible Dividend Adjusted Single Stock Futures Contracts on Bclear with effect from Thursday 21 November 2013.

1. Introduction

1.1 This Notice informs Members of the introduction of flexible Dividend Adjusted Single Stock Futures Contracts ("DASFs") on Bclear with effect from Thursday 21 November 2013 and provides Members with the following information:

- (a) background on DASFs;
- (b) differences between DASFs and our existing Universal Stock Futures;
- (c) additions to the List of Contract Details;
- (d) Trading licenses, Bclear access and Bclear reporting rights;
- (e) Bclear minimum volume requirements;
- (f) reporting days and hours;
- (g) fees;
- (h) statement in relation to EDSP Price Formation; and
- (i) the regulatory position in the United States.

2. Dividend Adjusted Single Stock Futures

- 2.1 The Exchange is expanding its range of single stock futures contracts available on Bclear with the launch of DASFs. DASFs are similar to our existing flexible Universal Stock Futures Contracts (“USFs”) with the exception that adjustments are made for all dividend payments (be they ordinary or special dividends) rather than just special dividends, thereby eliminating dividend risk.
- 2.2 DASFs will be available on Bclear only. The initial list of underlyings will consist of 25 blue chip European and UK company shares. A full list of underlyings can be found in Attachment 1 to this Notice. The summary contract specification for the DASFs can be found in Attachment 2 to this Notice.
- 2.3 The Exchange has revised the Corporate Action Policy in relation to the adjustments to be made to DASFs as a result of the payments of dividends. The revised Corporate Action Policy can be found on the NYSE Euronext website at <https://globalderivatives.nyx.com/nyse-liffe/corporate-action-policies>.
- 2.4 In summary, the ordinary dividend amount to be used in determining the adjustments to the settlements price will be the ordinary dividend amount per share to be paid to the shareholders as published by the issuer, as is the case today when the Exchange adjusts for special dividends.

3. Differences between DASFs and our existing USFs

- 3.1 The differences between DASFs and our existing USFs centre around:
 - (a) The treatment of dividends:
 - (i) all dividends (be they ordinary or special dividends) are adjusted for. Therefore, the DASF eliminates dividend risk for users. USFs, on the other hand, are adjusted only for special dividends;
 - (ii) when adjusting for all cash dividends (special and ordinary) only the settlement price of the business day before the ex-date will be adjusted to reflect the dividend payment, with no change to lot size. This is different for USFs where both the lot size and settlement price is adjusted for to reflect the special dividend payment; and
 - (iii) in the calculation of fair value, for intra-day trade validation and Daily Settlement Prices, ordinary dividend will not be included in the calculations, as they will be adjusted for under our Corporate Action Policy. For USFs, ordinary dividends are included in the fair value calculation used for intra-day trade validation and Daily Settlement Prices.
 - (b) The lot size (i.e. number of shares per contract):
 - (i) the Exchange has decided to determine lot sizes in bands (100 and 1,000 shares per lot), based broadly on the value of the underlying share i.e. shares with a value of less than €50 will have a futures lot size of 1,000 and those with a share value of

€50 or more will have a futures lot size of 100¹. It is intended that the lot size of the DASFs will be reviewed annually. Details of the lot sizes can be found in Attachment 3 to this Notice.

- 3.2 Members will be able to differentiate between our existing USFs and the new DASFs by way of the contract code, where all DASF contract codes will commence with the symbol “0”.

4. Additions to the List of Contract Details

- 4.1 On and from 21 November 2013 DASFs will be made available under the terms of Exchange Contract No. 66F on the company shares set out in Attachment 3 to this Notice.

5. Trading licences, Bclear Access and Bclear Reporting Rights

- 5.1 Direct access to Bclear is available to Members of the London market, including those affiliates of Members who have been approved by the Exchange pursuant to Rule 3401 (Rules, Book I). Other wholesale market participants who are clients of Members may have indirect access to Bclear on an intermediated basis via such Members. Members will be required to perform appropriate risk management checks in relation to all client business before it is subjected to the Exchange’s trade confirmation process.
- 5.2 To submit trades in DASFs via Bclear, members will need a Futures Subscription (FUT).
- 5.3 Clearing Members wishing to clear DASFs need to ensure they have the relevant APS Bank Account set up in the relevant currency at ICE Clear Europe Ltd prior to clearing the contracts. Clearing Members that have not set up the relevant APS Bank Accounts will not be able to clear DASFs. More information can be found on the ICE Clear Europe website at: www.theice.com/clear_europe_treasury or contact ICE Clear Europe’s Treasury Team at iceeutreasury@theice.com or +44 (0)20 7429 4580.
- 5.4 To claim trades only in DASFs, Members will need to have the appropriate entitlement set up in the membership database and access to the Universal Clearing Platform (“UCP”).
- 5.5 To clear trades in DASFs, Members will require the relevant clearing status (GCM or ICM) and access to UCP.

6. Bclear minimum volume requirements

- 6.1 There are no minimum volume requirements for the reporting of DASFs on Bclear.

7. Reporting Days and Hours

- 7.1 Transactions in DASFs will be capable of being reported via Bclear on those market days on which the relevant underlying stock exchange is open for business. A list of days for 2013 where transactions will **not** be capable of being reported via Bclear is set out in Attachment 4 to this Notice.

¹ Share price as of 1 Nov 2013

- 7.2 Members may report transactions to the Exchange via Bclear between 08:00 and 18:00 hours (London time). In respect of a contract on its Last Trading Day, reporting hours will end at the time trading ceases in such contract, as set out in Attachment 3.
- 7.3 The reporting arrangements explained in Section 12 of LIFFE Rules Book II and section 7 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.

8. Fees

- 8.1 Transactions reported via Bclear will be charged on a per lot, per side basis. Details of all fees can be found in Attachment 5 to this Notice.

9. Statement in relation to EDSP Price Formation

- 9.1 The Exchange draws the following statement to the attention of potential users of DASFs. Members should ensure that their clients are made aware of the statement:

“Statement in relation to EDSP Price Formation

Potential users of the USF contracts and DASF contracts made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant contract terms of those contracts. Potential users should also assess for themselves, or take professional advice in relation to, the risks inherent in any such investment, and in particular those having possible impact on a Contract’s pricing or value.

These include:

- (i) whether or not there is a relevant listing authority (UK or otherwise) which imposes obligations in relation to certain aspects of corporate behaviour or disclosure; and
- (ii)(a) where a Contract is cash settled, possible influences on price formation in the underlying cash market which might affect the reference price used for settling the Contract, as explained below.
- (ii)(b) Price formation leading to the EDSP for the cash settled USF contracts and DASF contracts are subject to similar influences to those in the case of many other cash-settled contracts. Trading activity on the relevant stock market during the EDSP period is likely to be affected by the activity of particular market participants who are seeking to obtain price convergence at the EDSP between offsetting stock and derivatives positions. Such participants might typically seek to achieve this by unwinding their stock positions during the EDSP period at prices which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the final EDSP differs from the share price immediately prior to the commencement of the EDSP period and, if relevant, from the share price immediately following that period.
- (ii)(c) Potential users should familiarise themselves with the mechanism used by the Relevant Stock Exchange to determine the price which is used as the reference price to settle the Contract. Relevant Stock Exchanges may have alternative arrangements for determining

such price in certain circumstances e.g. due to insufficient liquidity during a closing auction and these alternative arrangements may tend to be applied more frequently to certain securities than to others.

Potential users should, therefore, consider the risks of holding positions into the expiry of the cash settled USF and DASF contracts. In particular, they should consider their exposure to potentially unfavourable price movements in the expiry and whether to take steps to neutralise such exposure; for example, taking into account that there may be relatively limited liquidity provision, whether to “roll” or close positions prior to expiry.”

10. U.S. Regulatory Position

- 10.1 Members should note that currently U.S. persons are **not** permitted to engage in DASF transactions.

11. Additional Information

- 11.1 An updated List of Contract Details in respect of Exchange Contract No. 66F will be made available in the London Market Handbook on the NYSE Euronext website (www.nyx.com/londonmarkethandbook) in due course.
- 11.2 Additional information, including business days and hours, Bclear fees and other information with respect to the operation of Bclear, can be found on the NYSE Euronext website (www.nyx.com/bclear).

For further information in relation to this Notice, Members should contact:

Equity Derivatives Product Management +44 (0) 20 7379 2200

equities@nyx.com

Flexible Dividend Adjusted Single Stock Futures**List of Underlyings**

Company Name	ISIN	Relevant Stock Exchange	Contract Code	
			Cash settled DASF	Physical delivery DASF ²
Anglo American plc	GB00B1XZS820	London Stock Exchange	0AA	n/a
Aviva plc	GB0002162385	London Stock Exchange	0AV	n/a
Bayerische Motoren Werke AG	DE0005190003	Deutsche Börse	0BM	0BW
Commerzbank AG	DE000CBK1001	Deutsche Börse	0CB	0CK
Deutsche Post AG	DE0005552004	Deutsche Börse	0DP	0DW
Vivendi SA	FR0000127771	Euronext Paris	0VI	0VV
Total SA	FR0000120271	Euronext Paris	0FP	0FF
GDF Suez	FR0010208488	Euronext Paris	0GS	0GZ
Hennes & Mauritz AB ser. B	SE0000106270	Stockholm Stock Exchange	0HM	0HB
Iberdrola SA	ES0144580Y14	Madrid Stock Exchange	0IB	0IE
Intesa Sanpaolo SpA	IT0000072618	Borsa Italiana	0IS	0IP
ING Groep NV	NL0000303600	Euronext Amsterdam	0IN	0IG
Nordea Bank AB	SE0000427361	Stockholm Stock Exchange	0ND	0NA
Nestle SA	CH0038863350	SIX Swiss Exchange	0NE	0NN
Novartis AG	CH0012005267	SIX Swiss Exchange	0NO	0NV
SABMiller plc	GB0004835483	London Stock Exchange	0SA	n/a
SAP AG	DE0007164600	Deutsche Börse	0SP	0SG
Standard Chartered plc	GB0004082847	London Stock Exchange	0ST	n/a
Statoil ASA	NO0010096985	Oslo Stock Exchange	0SL	0SO
Schneider Electric SA	FR0000121972	Euronext Paris	0SU	0SH
ThyssenKrupp AG	DE0007500001	Deutsche Börse	0TK	0TA
Tesco plc	GB0008847096	London Stock Exchange	0TS	n/a
Unilever NV	NL0000009355	Euronext Amsterdam	0UN	0UA
Vodafone Group plc	GB00B16GWD56	London Stock Exchange	0VO	n/a
WPP plc	JE00B8KF9B49	London Stock Exchange	0WP	n/a

² Physically delivered DASF on UK underlyings are not available on Bclear

Flexible Dividend Adjusted Single Stock Futures
Summary Contract Specification

Underlying Exchanges	Bolsa de Madrid Borsa Italiana Deutsche Börse Euronext Amsterdam Euronext Paris London Stock Exchange NASDAQ OMX Stockholm Oslo Bors SIX Swiss Exchange
Expiry Months	Flexible out to 5 years
Quotation	Euro Norwegian: NOK Swedish: SEK Swiss: CHF UK: GBX
Lot size (number of shares)	Based on the value of the underlying share ³ , refer to Attachment 3 to this Notice
Trading Tick Size	0.0001 Norway/UK: 0.01 Swiss: 0.001
Exchange Delivery Settlement Price ("EDSP")	Official Closing Price Italy: Opening auction price
EDSP Tick Size	0.0001 Norway/UK: 0.01 Swiss: 0.001
Last Trading Day ("LTD")	Expiry Day Italy: Business day immediately preceding the Expiry Day
Contract Standard	Cash settled: Cash settlement based on EDSP Physically delivered: Physical delivery of shares
Trading Hours	08:00 – 18:00 hours
Time trading ceases on LTD	16:30 hours Italy: 18:00 hours Norway: 15:30 hours
NYSE Liffe Market	London
Trading Platform	Bclear
Clearing	ICE Clear Europe

All times are London time

³ It is intended that the lot size of the DASFs will be reviewed annually

LIST OF CONTRACT DETAILS IN RESPECT OF EXCHANGE CONTRACT NO 66F
UNIVERSAL STOCK FUTURES CONTRACT AND DIVIDEND ADJUSTED SINGLE STOCK FUTURES CONTRACT
(BASED ON COMPANY SHARES, DEPOSITARY RECEIPTS AND EXCHANGE TRADED FUND SHARES)

DIVIDEND ADJUSTED SINGLE STOCK FUTURES CONTRACT

KEY:
¹ A business day in the context of the settlement period (i.e T+4) is described as a day on which a particular security can be settled by the Relevant Settlement System, irrespective of a currency holiday in the local market.
GBX = pence
All times are London times.

Relevant Stock Exchange	Company	ISIN Code	Contract Code		Underlying Currency	Relevant Currency	Minimum Price Fluctuation	Minimum EDSP Price Increment	Lot Size (number of shares)	Time trading ceases on Last Trading Day ("LTD")	Reference Day	Relevant Reference Price	Settlement Day	
			Cash Settlement	Physical Delivery **									Cash Settlement	Physical Delivery**
Borsa Italiana	Intesa Sanpaolo SpA	IT0000072618	OIS	OIP	EUR	EUR	0.0001	0.0001	1000	18:00	Business day immediately following LTD	Opening auction price determined by Borsa Italiana on the Reference Day	Market day immediately following the Reference Day	Fourth Business Day after the Reference Day
Deutsche Börse	Bayerische Motoren Werke AG	DE0005190003	OBM	OBW	EUR	EUR	0.0001	0.0001	100	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Deutsche Börse	Commerzbank AG	DE000CBK1001	OCB	OCK	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Deutsche Börse	Deutsche Post AG	DE0005552004	ODP	ODW	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Deutsche Börse	SAP AG	DE0007164600	OSP	OSG	EUR	EUR	0.0001	0.0001	100	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Deutsche Börse	ThyssenKrupp AG	DE0007500001	OTK	OTA	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Amsterdam	ING Groep NV	NL0000303600	OIN	OIG	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Amsterdam	Unilever NV	NL0000009355	OUN	OUA	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Paris	Vivendi SA	FR0000127771	OVI	OVV	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Paris	Total SA	FR0000120271	OFP	OFF	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Paris	GDF Suez	FR0010208488	OGS	OGZ	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Euronext Paris	Schneider Electric SA	FR0000121972	OSU	OSH	EUR	EUR	0.0001	0.0001	100	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
London Stock Exchange	Anglo American plc	GB00B1XZS820	OAA	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	Aviva plc	GB0002162385	OAV	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	SABMiller plc	GB0004835483	OSA	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	Standard Chartered plc	GB0004082847	OST	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	Tesco plc	GB0008847096	OTS	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	Vodafone Group plc	GB00B16GWD56	OVO	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
London Stock Exchange	WPP plc	JE00B8KF9B49	OWP	n/a	GBX	GBX	0.01	0.01	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	n/a
Madrid Stock Exchange	Iberdrola SA	ES0144580Y14	OIB	OIE	EUR	EUR	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Oslo Stock Exchange	Statoil ASA	NO0010096985	OSL	OSO	NOK	NOK	0.01	0.01	1000	15:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
SIX Swiss Exchange	Nestle SA	CH0038863350	ONE	ONN	CHF	CHF	0.001	0.001	100	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
SIX Swiss Exchange	Novartis AG	CH0012005267	ONO	ONV	CHF	CHF	0.001	0.001	100	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Stockholm Stock Exchange	Hennes & Mauritz AB ser. B	SE0000106270	OHM	OHB	SEK	SEK	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD
Stockholm Stock Exchange	Nordea Bank AB	SE0000427361	OND	ONA	SEK	SEK	0.0001	0.0001	1000	16:30	LTD	Official Closing Price	Market day immediately following LTD	Fourth Business Day after LTD

** Relevant Settlement system for Physically Delivered contracts
Relevant Stock Exchange **Relevant Settlement System**
London Stock Exchange Euroclear UK & Ireland
Deutsche Börse (Xetra) Clearstream Banking Frankfurt AG
SIX Swiss Exchange SIS SIX AG
Euronext Amsterdam Euroclear Nederlan
Euronext Paris Euroclear France
Others Euroclear Bank

Availability of flexible Dividend Adjusted Single Stock Futures via Bclear in 2013

Transactions will **not** be capable of being reported via Bclear on the following days⁴:

Relevant Stock Exchange	Dates unavailable for reporting via Bclear
Bolsa de Madrid Euronext Amsterdam Euronext Paris London Stock Exchange	25 December 2013 26 December 2013
Borsa Italiana Deutsche Borse NASDAQ OMX Stockholm Oslo Bors SIX Swiss Exchange	24 December 2013 25 December 2013 26 December 2013 31 December 2013

⁴ For those Contracts that are available for reporting via Bclear on 24 and 31 December 2013, the Contracts will close by 13:00 hours London time.

Fee schedule for flexible Dividend Adjusted Single Stock Futures

Relevant Stock Exchange	Per lot fee			
	Exchange Fee		Clearing Fee	Cash Settlement
	Published	Unpublished		
Bolsa de Madrid, Euronext Amsterdam Euronext Paris Borsa Italiana Deutsche Borse NASDAQ OMX Stockholm Oslo Bors SIX Swiss Exchange	€0.13	€0.15	€0.05	€0.30
London Stock Exchange	£0.07	£0.09	£0.03	£0.20

Delivery fees: Delivery fees for DASFs = £3.00 per bargain